PET 14 LIBYA

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Department of State

TELEGRAM

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PAGE 01 TRIPOL 00223 031628Z

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INFO OCT-01 AF-08 ARA-08 EUR-20 EA-11 NEA-09 OPIC-12 AID-20
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AMEMBASSY DJAKARTA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LAGOS
AMEMBASSY LONDON
AMEMBASSY PARIS
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AMEMBASSY TEHRAN
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C O N F I D E N T I A L TRIPOLI 223

SUBJ: PARITY NEGOTIATIONS

REF: TRIPOLI 128

SUMMARY. AFTER TWO NEGOTIATING SESSIONS WITH LIBYANS, OIL COMPANY SOURCES REPORT DISCUSSIONS BEING CONDUCTED IN QUIET, BUSINESS-LIKE MANNER WHICH AUGURS WELL FOR EVENTUAL REASONABLE SETTLEMENT. END SUMMARY.

1. JANUARY 31 LIBYANS AND PRODUCING COMPANIES HERE BEGAN TALKS TO SETTLE PARITY ISSUE IN WAKE OF DOLLAR DEVALUATION AND GENEVA

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AGREEMENT WITH PERSIAN GULF PRODUCERS. LIBYAN NEGOTIATING TEAM IS COMPOSED OF FOLLOWING: DIRECTOR GENERAL, ECONOMIC AFFAIRS, AL BADRI, DIRECTOR-GENERAL, TECHNICAL ADMINISTRATION, BIN UMRAN, DIRECTOR OF COMPANY ACCOUNTS ZURAYQ (ALL OF THE FORMER FROM MINISTRY OF PETROLEUM) AND DIRECTOR OF RESEARCH, BANK OF LIBYA, BARIYUN. AS WE UNDERSTAND ORGANIZATION OF TALKS, ESSO IS IN ROLE OF CHIEF NEGOTIATOR BUT IN CONTEXT OF FULL CONSULTATION WITH OTHER LIBYAN PRODUCERS.

2. ALL OUR OIL COMPANY SOURCES HERE HAVE COMMENTED FAVORABLY ON COMPOSITION OF LIBYAN NEGOTIATING TEAM AND ATMOSPHERE PREVAILING AT TWO INITIAL SESSIONS JAN 31 AND FEB 2. OIL COMPANY NEGOTIATORS STRESS THAT LIBYAN TEAM COMPOSED OF REASONABLE, WELL-INFORMED TECHNICIANS WHO ARE GOING ABOUT THEIR BUSINESS IN A CALM AND METHODICAL MANNER, DEVOID OF THREATS OR EXTRANEOUS PROPAGANDA VERBIAGE.

3. MAJOR UNDERCURRENT IN PRESENT NEGOTIATIONS, IT SEEMS TO US, RUNS BETWEEN MAJORS AND INDEPENDENTS. FORMER FEEL THEY HAVE DONE TOO MANY THINGS OVER PAST MONTHS TO BAIL OUT THE INDEPENDENTS AND NOW WONDER WHETHER THE LATTER HAVE ENOUGH NERVE TO MAINTAIN UNIFIED COMPANY POSITION. ONE MAJOR OIL COMPANY NEGOTIATOR WAS PARTICULARLY BITTER THAT INDEPENDENTS REFUSED TO BARGAIN FOR FREIGHT RATE ESCALATION DURING 1971 NEGOTIATIONS, PREFERRING FIXED RATE AND CONSEQUENT SHORT-TERM PROFITS. INDEPENDENTS, CONTINUED THIS SOURCE, HAD BOUGHT ONE ARRANGEMENT AND NOW, DUR TO FALLING TANKER RATES, WANTED ANOTHER, WHICH COULD COMPLICATE CURRENT NEGOTIATIONS. GP-4.

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